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ARIZONA CORPORATION COMMISSION

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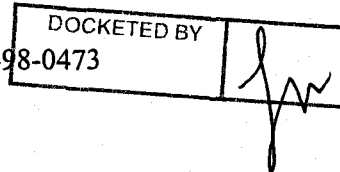
Arizona Corporation Commission
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September 16, 1999

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Docket No. E-01345A-98-0473

RE: Docket No. E-01345A-98-0473



To All Parties of Record:

As you probably know, last week I sent a letter to Mr. Bill Post of Arizona Public Service in an effort to ascertain why Pinnacle West (PW) stock had declined and more specifically to find out what concerns have caused some Wall Street analysts to downgrade PW stock.

Because of concerns about the letter as expressed by some of the parties involved in the Arizona Public Service stranded cost settlement, I thought it appropriate to clarify the purpose of my letter.

First, I have no intentions in changing the substantive provisions of a negotiated settlement. I gave a commitment to all parties in the deregulation process that I would support a negotiated agreement between affected utilities and its customers, provided the customers were well represented in the negotiations. That I believe has occurred.

However, I do want to know the reasons for the recent stock downgrades and depressed stock price. More important, I want to know if these concerns are long-term in nature, something that would affect the company's bond rating and potentially increase customer rates.

To the extent these concerns stem from our activities, I want to know what changes could be made that would not impact the other parties to the settlement. Whether that can occur remains to be seen.

Sincerely,

Carl J. Kunasek
Chairman

cc: Commissioner Jim Irvin
Commissioner William A. Mundell
Brian McNeil
Deborah Scott
Paul Bullis
Docket Control